

Audit of the management of tax rulings

Federal Tax Administration and State Secretariat for International Financial Matters

Key facts

Taxpayers in Switzerland can ask the authorities for the expected tax implications for concrete individual situations. A tax authorities' advance tax ruling sets out, in a binding advance tax decision made in good faith, how they apply the law, the current practice and their discretion in a concrete individual situation. At the Federal Tax Administration (FTA), the Swiss Federal Audit Office (SFAO) audited the processes defined for this purpose.

The FTA issues around 7,200 (advance) tax rulings to mostly legal entities each year. Of these, approximately 1,900 rulings relate to the Division for Direct Federal Tax, Withholding Tax and Stamp Duty and approximately 5,300 relate to the Division for Value Added Tax (VAT). The VAT also issues rulings for carried out transactions. The SFAO estimates the costs of this service for the benefit of the economic players to be around CHF 5 – 5.5 million per year.

The advance tax rulings (information from the authorities) result in legal and planning security for tax issues for the Swiss economy. For the authorities, issuing advance tax rulings constitutes one of the tasks in their control and supervisory capacity. The SFAO therefore recommends that the FTA publishes its advance tax ruling practice in a transparent manner for interested parties. The SFAO also recommends improvements to the FTA's advance tax ruling workflow.

With regard to the assessment of transfer pricing, the international allocation of taxes and the taxation of legal entities, there are thematic overlaps between the Division for Cantonal Supervision and the External Audit Division within the FTA and the State Secretariat for International Financial Matters (SIF). However, the SFAO takes a critical view of situations with SIF advance rulings and additional advance rulings from the FTA or cantonal authorities. It therefore recommends institutionalising internal exchanges between the concerned offices of the Federal Department of Finance.

Original text in German